



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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JOHN NAIMO
ACTING AUDITOR-CONTROLLER

May 8, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo
Acting Auditor-Controller

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SUBJECT: **SHERIFF'S DEPARTMENT – HUMAN SERVICES CONSORTIUM OF
THE EAST SAN GABRIEL VALLEY, DBA LA WORKS – VOCATIONAL
AND LIFE SKILLS SERVICES CONTRACT REVIEW (Board Agenda
Item 15, March 25, 2014)**

On March 25, 2014, your Board instructed the Auditor-Controller (A-C) to conduct a review of the Sheriff's Department's (Sheriff's or Department) current contract with Human Services Consortium of the East San Gabriel Valley, dba LA Works (LA Works or Agency) and report back to your Board of Supervisors in writing, in 60 days.

Background and Scope

Since 2011, the Sheriff's has contracted with LA Works to provide vocational and life skills classes for inmates incarcerated in the Los Angeles County jails. LA Works also provided General Education Development (GED) test preparation and testing services for the inmates until June 2013. At that time, the Sheriff's amended the LA Works contract to remove the GED test preparation and testing services when other educational institutions (e.g., charter schools) began to provide these services to the inmates at no cost.

The vocational and life skills classes are offered to increase the likelihood of employment after an inmate's release, and to reduce recidivism and violence in the County jails. Vocational programs include training courses in commercial painting, landscaping, bicycle repair, and other vocations. Life skills programs include instructional courses on parenting, personal relations, and substance abuse.

The Sheriff's compensates LA Works on a cost-reimbursement basis plus a 15% management fee. During calendar year 2013, the Sheriff's paid LA Works approximately \$6.7 million.

The purpose of our review was to determine whether LA Works provided services in compliance with their County contract. Our review included interviewing LA Works and Sheriff's staff and management, and reviewing the Agency's Monthly Status Report and classroom attendance records. We also reviewed LA Works' payroll and personnel records, billing invoices, and the Agency's Quality Control Plan (QCP).

In May 2014, the Department of Community and Senior Services (CSS) and the A-C completed a review of the Workforce Investment Act On-The-Job Training Services LA Works provided to CSS. Today, the A-C and CSS are issuing a separate joint-signature report to your Board summarizing the results of the review.

Results of Review

LA Works provided the vocational and life skills classes in accordance with their County contract. In addition, LA Works instructors were credentialed in the subjects they were assigned to teach. However, the Agency did not always comply with all of the County contract requirements. Specifically, LA Works:

- Overbilled the Sheriff's \$86,155 for vacation, sick, and holiday leave payroll costs that LA Works' staff earned prior to the Sheriff's contract.

LA Works' attached response indicates that they have credited the \$86,155 to the Sheriff's in their March 2014 invoice and will ensure they accurately bill for staff leave costs. The Sheriff's confirmed receipt of the billing credit.

- Inappropriately allocated 100% of the payroll costs, totaling \$470,587, to the Sheriff's for two staff that also worked on non-Sheriff's programs (from July 2011 to February 2014). LA Works needs to reallocate the payroll costs for the two staff between the Sheriff's and non-Sheriff's programs, and repay the Sheriff's for the amount overbilled.

LA Works' response indicates that they reallocated the costs, determined that they overbilled by \$47,469, and credited this amount to the Sheriff's in their March 2014 invoice. Sheriff's management confirmed that the amount was credited by LA Works and appropriately calculated.

- Did not ensure Site Administrators and the Project Manager completed classroom visits as required by the QCP.

LA Works' response indicates that they will ensure the classroom visits are completed and documented in accordance with their QCP.

- Did not ensure that the statistics reported in their Monthly Status Reports (MSR) are accurate.

LA Works' response indicates that they will ensure their MSRs are accurate.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LA Works and Sheriff's management on May 1, 2014. In their attached response, the Agency indicates that they agree with our findings and recommendations.

We thank LA Works management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:js

Attachment

c: William T Fujioka, Chief Executive Officer
John L. Scott, Sheriff
Salvador Velasquez, Chief Executive Officer, LA Works
Public Information Office
Audit Committee

**SHERIFF'S DEPARTMENT
HUMAN SERVICES CONSORTIUM OF THE EAST SAN GABRIEL VALLEY,
DBA LA WORKS
VOCATIONAL AND LIFE SKILLS CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2013-14**

Background

Since 2011, the County contracted with Human Services Consortium of the East San Gabriel Valley, dba LA Works (LA Works or Agency) to provide vocational and life skills classes for inmates incarcerated in the Los Angeles County jails. LA Works also provided General Education Development (GED) test preparation and testing services to the inmates until June 2013. At that time, the Sheriff's Department (Sheriff's or Department) amended the LA Works contract to remove the GED test preparation and testing services when other educational institutions (e.g., charter schools) began to provide these services to the inmates at no cost.

Vocational and Life Skills classes are offered to increase the likelihood of employment after an inmate's release, and to reduce recidivism and violence in the County jails. Vocational programs include training courses in commercial painting, landscaping, bicycle repair, and other vocations. Life skills programs include instructional courses on parenting, personal relations, and substance abuse.

The Sheriff's compensates LA Works on a cost-reimbursement basis plus a 15% management fee. During calendar year 2013, the Sheriff's paid LA Works approximately \$6.7 million.

The contract requires LA Works to develop, offer, facilitate, and provide vocational and life skills programs. At the time of our review, LA Works provided 18 vocational programs and three life skills programs using 34 instructors.

Scope

The purpose of our review was to determine whether LA Works provided services in compliance with their County contract. Our review included interviewing LA Works and Sheriff's staff and management, and reviewing a selected sample of the Agency's Monthly Status Reports (MSR) and classroom attendance records. We also reviewed LA Works' payroll and personnel records, billing invoices, and the Agency's Quality Control Plan (QCP).

Program Services

The contract requires LA Works instructors to charge the Sheriff's for the actual hours provided in delivering the services. The Agency's course descriptions specify that instructors will provide six hours of instruction each day, and use the remaining two hours for class preparation. LA Works is also required to provide the Sheriff's with an

MSR indicating the classes that were taught during the month and the number of attendees.

We reviewed the timecards for ten (24%) of 42 employees during February 2014 and verified that LA Works billed the Sheriff for the actual hours worked. We also reviewed the attendance records and enrollment documents for 13 (25%) of 53 classes that LA Works reported providing during February 2014, and noted that the classes were conducted as required by the contract. The instructors provided the required hours of work, and LA Works submitted the MSRs as required. However, for four (31%) of 13 classes we reviewed, we noted minor differences in the statistics LA Works reported in their February 2014 MSR compared with the student attendance and enrollment information documented in the attendance and enrollment records. The chart below compares the reported activity with the documented activity.

Class	New Enrollments		Dropped Students		Active Students at Month End	
	Reported	Documented	Reported	Documented	Reported	Documented
Fashion Design	5	4	5	4	13	13
Commercial Painting PM	1	0	3	0	19	21
Life Skills Period 3	12	11	5	4	27	27
Computer Applications 1	8	8	5	4	11	13

Recommendation

- 1. Human Services Consortium of the East San Gabriel Valley, dba LA Works management ensure Monthly Status Reports are accurate and that reported activity is supported with documentation.**

Staff Qualifications

LA Works' instructors are required to possess a teaching credential in the subject matter they are assigned to teach. We reviewed the personnel files and California Commission on Teaching Credentialing website for seven (21%) of 34 instructors and confirmed that all seven instructors were credentialed for the subjects they were assigned to teach.

Recommendation

None.

Program Expenditures

The Sheriff's compensates LA Works for employee payroll costs on a cost-reimbursement basis. Payroll costs include the salaries and benefits for the course instructors and support staff (e.g., the Site Administrators and Project Manager).

LA Works can bill the Sheriff's for 100% of the instructors' and support staff's payroll costs if they work on the Sheriff's contract full-time, including the cost of accrued vacation, sick leave, and holiday leave earned by the staff during the contract term. LA Works can also bill for the cost of unused leave earned by the staff during the contract term.

In reviewing the payroll costs that LA Works billed the Sheriff's, we noted that LA Works overbilled the Sheriff's \$86,155 for vacation and sick leave payroll costs, including \$77,205 in unused leave and \$8,950 in paid leave, that LA Works' staff earned prior to the Sheriff's contract.

We also noted that LA Works inappropriately allocated 100% of the payroll costs, totaling \$470,587, to the Sheriff's for two staff that also worked on non-Sheriff's programs (from July 2011 to February 2014). LA Works needs to reallocate the payroll costs for the two staff between Sheriff's and non-Sheriff's programs, and repay the Sheriff's for the amount overbilled.

Recommendations

Human Services Consortium of the East San Gabriel Valley, dba LA Works management:

- 2. Repay the Sheriff's \$86,155 and ensure leave costs billed to the Sheriff's do not exceed the amount that staff earned during the contract term.**
- 3. Reallocate \$470,587 in payroll costs between Sheriff's and non-Sheriff's programs, provide the Sheriff's with supporting documentation, and repay the Sheriff's the amount overbilled.**
- 4. Ensure all payroll costs billed to the Sheriff's are properly allocated.**

Quality Control Plan

The Sheriff's contract requires LA Works to establish and maintain a comprehensive QCP. The QCP must indicate how the Agency will monitor to ensure they consistently provide a high level of service during the contract term.

We verified that LA Works developed a QCP, and that it includes procedures for monitoring their contract requirements. For example, the QCP requires LA Works' Chief Fiscal Officer (CFO) to monitor the budget and expenditures monthly. Instructors are required to complete monthly Quality Improvement Reports that are reviewed by LA Works' Site Administrators and other executive management to address any issues or concerns raised by the instructors. In addition, Site Administrators are required to complete monthly classroom visits for all instructors and the Project Manager is required to complete monthly random visits of the classrooms.

We reviewed the LA Works' QCP activity for February 2014 and noted that the Agency did not always comply with their QCP requirements. Specifically, the Site Administrators did not conduct classroom visits for 15 (44%) of 34 instructors we reviewed. In addition, LA Works could not provide documentation that their Project Manager completed monthly random visits of the classrooms.

Recommendation

- 5. Human Services Consortium of the East San Gabriel Valley, dba LA Works management ensure that the Site Administrators and the Project Manager complete and document their assigned responsibilities in accordance with the Agency's Quality Control Plan.**



May 6, 2014

Salvador H. Velasquez
Chief Executive Officer

John Naimo, Acting Auditor-Controller
County of Los Angeles
Department of Auditor Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

RE: SHERIFF DEPARTMENT - HUMAN SERVICES CONSORTIUM OF THE EAST SAN GABRIEL VALLEY, DBA LA WORKS - VOCATIONAL AND LIFE SKILLS SERVICES CONTRACT REVIEW (Board Agenda Item 15, March 25, 2014)

The following information is provided in response to the report dated May 1, 2014 from the County of Los Angeles Department of Auditor-Controller (A-C) to the Board of Supervisors addressing the review of the LA Works contract with the Los Angeles County Sheriff's Department. The review focused on the Vocational and Life Skills program LA Works provides to inmates within the Los Angeles County Correctional Facilities.

RESPONSES TO ISSUES RAISED IN THE AUDITOR-CONTROLLER REVIEW

Following are LA Works responses to each issue raised in the A-C Report.

Overbilling the Sheriff for \$86,155 for vacation, sick, and holiday leave payroll costs that LA Works' staff earned prior to the Sheriff Contract: LA Works has built-in a credit to the March invoice to include expenses associated to leave costs that exceed the amount staff earned during the contract term. The total amount of \$86,155 will be paid back in full. LA Works agrees that the amount stated was billed incorrectly. Although our contract is classified as a cost reimbursement contract we also have a built-in management fee. The amount that was billed incorrectly should have been an expense associated to the management fee rather than a direct contract cost. LA Works has taken measures to ensure proper allocation of staff leave time for the remainder of the contract term. LA Works has implemented procedures for HR to address any staff leave time that may have been earned prior to the initiation of the LASD Contract and deem that time non-reimbursable by LASD. The future LASD Contract that LA Works was awarded to begin in March 2014 is under the fixed unit price structure as opposed to cost reimbursement. Under the fixed unit price structure, all costs associated to the Career Technical Education (CTE) Program are fixed therefore leave time will not be reimbursable and will not be billed at any time during that contract term.

Inappropriately allocated 100% of the payroll costs, totaling \$470,587, to the Sheriff for two staff that also worked on non-Sheriff programs: LA Works is working closely with LASD to ensure that all payroll costs associated to non-Sheriff programs will be reimbursed. LA Works has already built-in a credit to the March 2014 invoice to include expenses associated to these personnel costs.

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Subsuke H. Velasquez
Chief Executive Officer

While the total costs of the two employees addressed in the A-C report reflect the amount of \$470,587, the cost associated to non-Sheriff programs is **significantly less** as most of their time was spent working strictly with the LASD program. LA Works evaluated the cost of employee time and time associated to non-Sheriff programs and determined that \$47,469 make up the non-Sheriff cost. LA Works included the amount, \$47,469, as a credit on the March 2014 invoice. To prevent incorrect allocation of time, LA Works has implemented accounting procedures that allow employees to code time amongst all LA Works programs on the employee time card. Once these hours are submitted for payroll processing the accounting department can properly bill for hours worked on the LASD Contract. The future LASD Contract that LA Works was awarded to begin in March 2014 is under the fixed unit price structure as opposed to cost reimbursement. Under the fixed unit price structure, all costs associated to the CTE Program are fixed therefore salary expenses will not be reimbursable and will not be billed at any time during that contract term. The methodology and reasoning behind the reallocation of time for the Program Manager is further explained below.

Response to request for details of the CTE Program Manager's submitted time allocation: With the Implementation of the LASD Career Technical Education (CTE) contract, LA Works transferred our Workforce Investment Act (WIA) Manager to the CTE Program Manager position. LA Works promoted an experienced supervisor to fill the WIA Manager vacancy. The promoted Workforce Investment Act (WIA) Manager is fully knowledgeable of WIA operations, including ancillary WIA programs such as VEAP/ETP. Therefore, the amount of training required during the transition was minimal. This allowed the CTE Program Manager to focus on significant tasks of planning and implementing the new CTE Program within all the LASD jail facilities. The CTE Program Manager was responsible for the design, planning, implementation, and ongoing responsibilities of the LASD CTE Program including: writing of all operational policies; development of the new hire orientation; conducting new hire orientations for over 60 instructors; development of classrooms and instruction assignments and schedules; establishing necessary classroom resources; Site Administrator (Principals) hiring and training; numerous initial planning meetings with LASD administration; reporting for Title 15; on-going program meetings with LASD administration; staff and contractor meetings to resolve issues; overall supervision of the CTE Instructors and Site Administrators; monitor contract requirements; disciplinary action; program expansion; instructor performance, to name just some of the CTE tasks performed on a regular basis. The CTE Program Manager provided some technical support to the WIA Manager, and continues to provide minimal support on program operations. The WIA Manager has direct daily supervision of WIA program staff and program operations within the Worksource Center. The assistance provided by the CTE Program Manager generally consists of review of operational reports, responses to operational questions, and technical assistance as it pertains to program compliance and performance benchmarks. The CTE Program Manager reviewed his calendar and emails to reconstruct his time allocation of non-CTE operations. Based on the analysis of his time allocation, a report was submitted to an LASD Program Director, and he was comfortable with the time allocation analysis

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Salvador R. Velasquez
Chief Executive Officer

indicated on the submitted report. The LASD Program Director has knowledge of the CTE Program Manager's daily involvement with the CTE program operations.

Did not ensure Site Administrators and the [Program] Manager completed classroom visits as required by the [Quality Control Plan]: LA Works agrees with the A-C recommendation and management will ensure that the Site Administrators and the Program Manager complete and document their classroom visitations in accordance with the Quality Control Plan.

Did not ensure that the statistics reported in their Monthly Status Reports are accurate: LA Works agrees with A-C recommendation and management will ensure that our Monthly Statistical Reports are accurate.

CONCLUSION

Based on the information provided above and the Auditor-Controller Report, LA Works agrees with the Auditor-Controller that the Vocational and Life Skills classes were provided in accordance with our County Contract. The issues that were named in the A-C report have been addressed and LA Works is working closely with LASD to ensure that everything is corrected prior to the end of our contract term.

We appreciate the courtesy and professionalism of the Auditor-Controller and LASD and would gladly accept an opportunity to provide further information to address any issues in the A-C Report. If there are any questions regarding the information provided herein, please do not hesitate to contact me directly at (626) 960-3964 x2223 or salvador.velasquez@laworks.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Salvador R. Velasquez', written over a blue horizontal line.

Salvador R. Velasquez
Chief Executive Officer
LA Works

c: Kathy Ford
Jorge Hernandez
Richard Jewik

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